

**Revamping the Reward and Recognition Program:  
Creating a Year-Round Culture of Appreciation at SC Housing**

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## **Problem Statement**

Every organization wants a highly engaged, motivated and productive workforce. Studies have shown that organizations with above average levels of employee engagement also have higher levels of productivity, lower turnover, higher profits and higher customer satisfaction (WorldatWork and NAER). Many factors, such as advancement opportunities, work/life balance and work environment play important roles in motivation and productivity, but a key driver of employee engagement is reward and recognition (R&R).

Research shows that nearly nine out of ten companies offer some type of R&R program (WorldatWork, Trends in Employee Recognition), but that is not to say all of them are effective. An effective program does not take a “one size fits all” approach to R&R. Just as all employees are different, varied types of rewards and recognition are needed. To be effective, R&R should be seen as attainable by all employees, presented in a timely fashion, offered on a regular basis, and consist of various types of recognition, informal as well as formal.

The existing Reward and Recognition program at South Carolina State Housing Finance and Development Authority (SC Housing) has not been a focus over the past 10 years and is currently very limited. The parts of the program we have in place are good, but they are predictable and for the most part, recognize employees only at certain times of the year.

The scope of this project is to evaluate our current R&R efforts, both agency-wide and by individual managers, and develop ideas to enhance the program. A primary goal is to discover how managers are recognizing their employees, how often and for what behaviors employees are being recognized and how satisfied the employees are with those efforts. With tight budgets a reality for the foreseeable future, we want to identify no to low cost ways that we can recognize our employees day to day. We would also like for our R&R efforts to be consistent throughout

the agency and this will require commitment from all levels of management. We also want to identify the different ways in which employees would like to be recognized. Ultimately, the goal is to offer a more holistic approach to R&R, not just by giving awards and planning appreciation events.

In the absence of a truly effective R&R program, there is missed potential for the agency in the areas of promoting desired behaviors, as well as boosting morale. The enhanced R&R program will incorporate values that align with the agency's strategic goals and business needs, therefore reinforcing key employee behaviors that our agency needs to remain sustainable and strong in the future. Employees will see greater value demonstrating these values and behaviors if their efforts are supported through a variety of recognition methods. In addition, the agency will also have a greater opportunity to boost employee morale and motivate all employees, not just our high performers, with our R&R efforts.

In 2003, the South Carolina Human Resources Division (SC HRD), formerly known as the Budget and Control Board's Office of Human Resources, developed a service to assist state agencies in developing effective reward and recognition systems. HRD's publication outlines nine steps that agencies can take, from the "pre-work" stage, through the design of the process and on to evaluating, improving and providing for ongoing support of the process. HRD's model will be used as a basis for the enhancements to SC Housing's current program. This project will take our program from HRD's pre-work stage of the program and into Step 3, "Developing the Parameters of the Process". Recommendations for the design and implementation of our revamped R&R program have been made after review of the research.

### **Data Collection**

Current policies were reviewed to determine the formal R&R programs in place at this

time and the cost of these programs. Older policies were examined to determine what formal programs were in place within the last ten years.

Currently, SC Housing's Human Resources Department plans an annual Employee Appreciation Day luncheon in May; State and Agency Service Awards are given out at that time. We recognize employees at 10, 20, 30, 40 and 50 years of state service. Our Executive Director presents the employee with a state service pin and a certificate during the function. In addition, employees who have 10 years of service with SC Housing receive a commemorative brick in recognition of the service achievement. Members of senior staff provide door prizes that are given to employees at this event.

Other employee functions coordinated by Human Resources include the annual holiday angel tree lighting, the annual holiday luncheon and two other small functions during the year. In addition, member of the agency's senior and executive staff are responsible for planning an annual employee picnic. Employee participation in these events is high.

We also allow casual dress days on Fridays and with the approval of the Executive Director, on the day before a holiday. Some departments allow flexible work schedules; whether or not this is allowed is up to the department director within each department.

At one time, SC Housing had an "Employee of the Month" and "Manager of the Month" program in place; the "Employee of the Year" and "Manager of the Year" were then selected from those managers and employees. Up until 2006, the agency gave awards for two "Outstanding Employees" each year, in January and July. More substantial monetary awards were associated with each of these programs.

The Kudos Award program recognizes "individuals who actively contribute to the overall

success of the agency”. A nomination has to be approved by the Division Director, Human Resources Director and Executive Director. If approved, the nominee is able to order an item from a pre-selected list of vendors for a specified dollar amount. This program is not widely used and only full time employees are eligible. As research into the effectiveness of the Kudos program, the number of awards that were processed over the past five years was reviewed.

To determine what individual managers were doing on an informal basis in their departments, a survey of all management staff was developed using the web-based application SurveyMonkey. Information sought included what types of R&R the managers provided to their employees, as well as what type of behaviors and how timely they provided the reward/recognition. The survey asked what they felt motivated their employees and asked them to rank the importance of various R&R methods. They were also asked to rank the characteristics employees should be rewarded for exhibiting. In addition, the survey asked what their employees did to show appreciation to their peers. The survey was sent to 35 members of management and 17 responses (49%) were received.

A second survey was developed and administered to all employees. This included the managers who received the management survey, to determine what types of R&R they received from their managers.

The survey asked employees what types of R&R their managers provided to them, for what type of behaviors and how timely the reward/recognition was provided. They were asked to give an overall rating of their manager’s effectiveness in R&R efforts. The survey asked what motivated them to do a good job and requested they rank the importance of various R&R methods. Employees were also asked to rank the characteristics they felt they should be rewarded for exhibiting. In addition, the survey asked what they did to show appreciation when a

co-worker helped them out. Last, the survey asked in what setting they like to be recognized. The survey was sent out to 131 employees and received 72 responses (55%) were received.

In addition to the surveys, general web and print research was done on successful R&R programs, specifically seeking low to no cost ways to reward and recognize employees. Information on Employee of the Month and Employee of the Year programs was also sought.

## **Data Analysis**

### Types of Recognition

The surveys asked the questions “How are you recognizing your employees?” of the managers and “What does your manager do to recognize you?” of the employees. The surveys inquired about sixteen specific types of recognition; they also asked both groups to specify the frequency of the recognition. The responses were grouped into “Always/Frequently”, “Occasionally/Seldom”, and “Never” categories.

A positive finding in comparing the responses of employees and managers is that in ten of the sixteen types, employees confirmed that they were receiving the recognition that the managers said they were giving. The variances between the managers’ and the employees’ responses were less than 20%, with the exception of the following six categories:

	EE’s say receive	Mgrs. say give
Written thank you e-mail or note	69%	100%
Departmental lunches	73%	94%
Departmental parties	60%	94%
Public recognition	55%	94%
Lunch with individual EE’s	37%	82%
Choice of job assignment, autonomy, promotion	55%	82%

These results show that managers believe they are providing the R&R types above in larger amounts than the employees believe they are receiving it. However, in looking at these six types

of recognition that showed a disconnect, only one (the written thank you e-mail or note) was in the types of recognition that employees ranked as being very important to them.

### Motivators

When employees were asked what motivates them to do a good job and managers what motivates their employees to do a good job, the results are as follows:

	Employees	Managers
Pay increase or bonus	86%	75%
Verbal or written thank you	78%	94%
Kudos award or other monetary gift	35%	50%
Lunch or food brought in	24%	38%

These results show that SC Housing's employees are more motivated by pay increases than thanks, but by only a 12% variance. While employees say that managers do a good job of expressing thanks over all, 31% of the employees' responses said they never receive a written thank you; closing this gap could have a significant impact on employee motivation.

When asked to rank what behavioral competencies should be recognized or rewarded, managers and employees ranked excellent customer service first (see top 4 in table below).

	Employees	Managers
1	Excellent customer service	Excellent customer service
2	Teamwork	Positive attitude
3	Exceeding performance goals	Teamwork
4	Positive attitude	Exceeding performance goals

Managers said that customer service is a top competency, yet when we asked employees what type of behaviors or actions they are receiving rewards for, only 5% of employees say they are recognized for customer service. The largest percentage (36%) of employees surveyed said they received recognition for meeting and/or exceeding their performance goals. However, the next largest percentage (20%) of respondents noted that they receive either negative feedback or



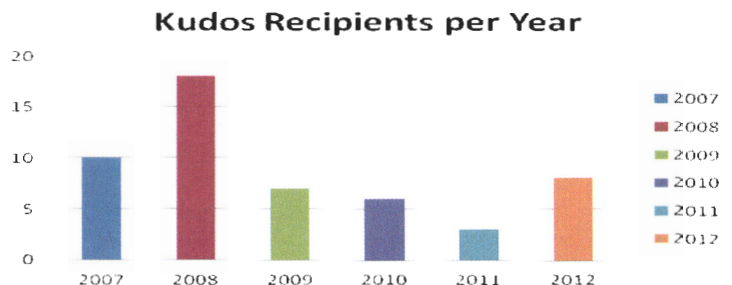
none at all (refer to chart below). When responses were filtered by management responses only, the managers showed a slightly higher rate of negative feedback or no feedback at all (22.7%).

<b>Employees Note Types of Behavioral Competencies* that Receive R&amp;R</b>	
Meeting or exceeding performance goals	36%
Negative feedback or none at all	20%
Additional responsibilities	19%
Teamwork	10%
Customer service	5%

\*These behavioral competencies are a compilation of information gleaned from several different meetings with the training committee, our senior staff retreat and through a business critical competency survey previously administered to senior staff. Two of these competencies, customer service and teamwork, are characteristics measured on every employee's annual EPMS evaluation.

### Monetary Rewards

Also, 35% of employees say that they are motivated by Kudos or other monetary award, yet the Kudos award is not being used by managers or employees to the degree that it could be. There are some key issues with the Kudos award that render it ineffective: too few employees are recognized, the presentation of it is not timely, as it requires the approval of three levels of management and the criteria is non-specific. Employees and managers are aware of the Kudos award but it is not promoted and is underutilized. In five years out of the six studied, less than ten employees received a Kudos award per year (see chart below).



The research on Employee of the Month (EOM) programs showed that while most organizations used to have one in place, they are trending down. Dr. Aubrey Daniels (Daniels, page 153) says of the Employee of the Month programs: “the practice violates every known principle of effective recognition and positive reinforcement”. Dr. Daniels explains that while EOM programs are intended to have a positive effect on employee motivation, they can sometimes have the opposite effect. He considers the EOM program ineffective because they are: not specific about what must be done to receive the award; neither timely nor frequent; assume that everyone would appreciate the same type of award; allow for only a few winners.

#### Recommendations:

Our current R&R program is not hitting the mark. Our challenge is to create a year round culture of appreciation, where all employees feel valued every day, not just in May on Employee Appreciation Day or if they are one of the few employees who receive a Kudos award. Our employees say that most important reward is a pay increase but this is followed closely by a verbal or written thank you. Pay increases are generally tied to the EPMS evaluation and administered one time per year, thus minimizing tying financial incentives to timely R&R. A simple verbal or written thank you costs nothing and can be given immediately. Employees ranked years of service dead last as a characteristic that should be recognized, but state and agency service awards is our most visible method of recognition at this time.

The scope of this project is to make recommendations that will assist a future R&R committee with setting high level parameters (HRD) for our program enhancements. Based on the results of the surveys and research, following are five recommendations that should assist this committee in the initial and design stages:

### Recommendation 1

In the employee survey, 78% of our respondents said they are motivated by verbal or written thanks. The number one recommendation is to make managers aware of the value employees place on verbal and written thanks and give them tools to say “thank you”. OC Tanner has a free e-card program called “iappreciate” that can be provided to managers or the marketing department could create an e-card that managers may send to their staff, both FTE and temporary.

Almost 92% of employees said they recognized co-workers through verbal or written thanks. An e-card developed in-house would also allow employees to recognize their peers.

### Recommendation 2

Because the review of the Kudos program records showed that the program is underutilized, the challenge is to create a more user friendly aspect of SC Housing’s R&R program that is attached to a monetary award. The second recommendation is to replace the current Kudos program with the “Raise the Roof” program. The award could be linked to the top six performance and behavioral competencies that managers and employees believe should be recognized or rewarded (excellent customer service, positive attitude, teamwork, exceeding performance goals, willingness to accept additional responsibility, innovation and creativity). The first “Raise the Roof” that an employee receives each quarter would be entered into a drawing with five winners selected each quarter. Winners would be able to order an item from a pre-selected list of vendors for a specified dollar amount, as the Kudos are now. This would double the number of awards of this type currently given. Another suggestion for an award would be an assigned parking space for the quarter, which would hold high value to our employees as parking becomes a premium at our building.

### Recommendation 3

To bring awareness to R&R, the third recommendation is to spotlight several employees quarterly in the employee newsletter for exhibiting one or more of our six behavioral characteristics. Care would need to be taken in the method of selection and to ensure that the employees spotlighted are comfortable with public recognition and represent the various departments within our agency.

### Recommendation 4

Customer service was rated the number one competency by employees and managers but only 5% of employees felt they received R&R for customer service. Recommendation 4 is to create a customer service award to recognize employees for excellence in customer service, type of award to be determined by the R&R committee.

### Recommendation 5

Dr. Aubrey Daniels suggests that companies who have EOM programs in place eliminate them “as quietly and painlessly as possible” (Daniels, page 153). Also, in a study of recognition program trends, the Employee of the Month/Year programs are trending down. Only 29% of companies surveyed in 2012 use the Employee of the Month/Year award, down from 32% in 2005 (Trends in Employee Recognition).

For these reasons, the fifth recommendation is do not reinstate an Employee of the Month program. Instead, use available resources to develop and implement the “Raise the Roof” award.

### **Implementation Plan**

Action Steps for the scope of this project

1. Present recommendations to the Executive Staff for approval

2. Make any suggested revisions
3. Work with Executive Staff to select a R&R Champion
4. Form an R&R committee which will be tasked with setting the high level parameters (HRD) of the revamped program, such as determining:
  - a. The final behavioral characteristics that will be rewarded
  - b. What types of R&R will be put in place (manager to employee, peer to peer, or a combination)
  - c. Dollar amount to be allocated for each type of recognition
  - d. How to select the team tasked with the design, implementation and monitoring of the program

#### Action steps for the future

1. Designing the enhancements to the program
2. Training managers on changes to program
3. Promoting the enhanced program
4. Rolling out the enhanced program
5. Evaluating the enhanced program

The Design Committee, which will include Human Resources, will be responsible for these future steps. In addition, the Marketing Department will share in responsibility for the promotion of the enhancements.

#### Timeframes and Costs

- The current costs for our employee recognition efforts were analyzed and it is recommended that the agency could allocate an additional 20% of our R&R budget for FY12/13 toward the recommended R&R enhancements.

- The timeframes for implementing the various parts of the program are:

Developing and implementing thank you e-cards	May 2013
Excellence in customer service awards	July 2013
Recognizing employees in the agency newsletter	July 2013
Designing and implementing “Raise the Roof” awards	September 2013

#### Potential Obstacles

- As other programs have been rolled out other at SC Housing, we have realized that we need to reinforce changes with a variety of methods. We have to ensure we have the support of managerial staff and that our R&R efforts are not stand alone, but integrated into other employee and organizational development methods to include strategic planning, gap analysis, and succession planning.

#### Potential Resources

- Marketing Department will be a resource in developing e-card programs for manager to employee, and peer to peer recognition and also in promoting the enhanced program
- Human resources contacts at other state agencies who have in place R&R monetary awards similar to the proposed “Raise the Roof” award
- Contacts at other southeastern Housing Finance Agencies

#### Integration into Standard Operating Procedure

- Managers will be trained on the enhancements to the current program and the new program will be promoted to employees. Whatever enhancements are made to, or cut from, our current program will become part of our Reward and Recognition Policy.

## **Evaluation Method**

- Develop a reward and recognition success survey, asking specifically about enhancements to the program.
- To measure the effectiveness of the program enhancements from an employee standpoint, develop a survey to administer after the changes have been in place for 6 months and again at 12 months.
- The R&R committee will determine which behavioral competencies will be linked to the agency's strategic goals. Develop a managerial survey to measure any increase in employees exhibiting these competencies, to be administered after 6 and 12 months after changes have been implemented.

## **Summary**

Human Resources is many times saddled with the responsibility of reward and recognition and ideally this project will result in a toolbox that managers will be able to use, one that includes various types of R&R. One result that the managerial survey showed was that while the current human resources team was recognized as having made much greater R&R efforts than past teams, managers still need and want new creative and low cost ways to recognize their employees. Recommendations have been made that, if implemented, will provide managers with recognition methods that do not cost a great deal of money, yet have a good "return on reward/recognition" (HRD). The goal is to raise awareness, educate managers on the benefits of R&R and make changes, however small at first, to move the needle.

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